

Why a Startup
Needs to Find its
Customers First

BY

PRANAV JAIN

AUTHOR'S INTRODUCTION

PRANAV JAIN is an entrepreneur, mentor, automobile consultant. He is one of the youngest entrepreneurs and consultant. He challenged the status quo by assisting and consulting ambitious companies. He provides suggestions and solutions to the startup companies.



LESSON'S INTRODUCTION

'Why a Startup Needs to Find its Customers First' is an article written by a renowned automobile consultant and mentor Pranav Jain. Present article shed light on using new and innovative techniques for the all-round development of the startups. It also explains the importance of customers in the success of any startups.

WHY A STARTUP NEEDS TO FIND ITS CUSTOMERS FIRST

Every traveller starting a journey must decide what road to take. The road well travelled seems like the obvious choice. The same is true in the search for startup success: Following a path of common wisdom – one taken by scores of startups before – seems like the right way. Yet for most startups, the wide road often leads straight to disaster – Steve Blank.

And the road we're talking about is the way a company progresses. Since the 20th century, a number of entrepreneurs and researchers have created models that described the process of how new products or innovations get adopted in a population. By linking the company's progress with these models, founders can correlate their growth or learn extensively with these methodologies. But as we advance to the state-of-the-art stages, the ecosystem calls for appropriate changes in these techniques.

The Real Reason Behind The Failure

In the present era, startups don't fail because they lack a product; they fail because they lack customers. In the initial phase of a startup, before any sales could happen, the company must prove that a market could exist. You cannot create a market or customer demand where there isn't any customer interest. And hence it is obligatory for startup founders to test whether the product fulfils a real need.

But despite these clear prerequisites, numerous startup founders fall prey to their own assumptions. Rather than letting the customer tell them what she wants, founders tend to provide her with “what she might want”. This is an example of the product development approach where people tend to skip the problem-solution fit and jump directly to the product-market fit, which leads to building products nobody wants.

Are You Able To Find the Real Problem

It is but obvious that founders need to identify a real problem, develop a product that solves the problem and has customers verifying by buying from them. But how does one do that? The conventional method of running a business focuses on a product-centric approach where the product is given the first and foremost priority. It is just like saying – build it and the customers will come. Although many startups deploy the same tactics to enter the market, this methodology is not a successful roadmap in the present ecosystem. Approaching the market based on quantitative figures is a catastrophe even in a forgiving or bubble economy.

A product development approach might work when a new product is introduced into an existing market with known parameters and dynamics. But it's a disaster when it comes to bringing a new product to a new market or bringing a new product to a new section of the existing market. So what should be done to ensure that a real pain point is addressed? The answer to that is, as articulated by Steve Blank, "Get out of the building"!

THE RIGHT APPROACH

All you have inside the building are opinions; the facts are with your customers. It is hence a necessity to verify your own assumptions with qualitative customer interactions. Only after you gather sufficient data on your understanding of the customer do you return home to give this feedback to your product guy. Not only does this help a company identify real needs, but it also contains them at a low cash burn rate until the company validates the problem-solution fit and moves towards finding early adopters.

Once a company understands the real problem, the next stages get unlocked for discovery. After this basic understanding about the customer, the best way to move further is not by building a product bang on but to understand if the proposed product will achieve the liking of the early adopter. For this, the best way would be to create a demo of the most important features required and again go back to the consumer for her reaction. This way a company tests its value proposal even before investing in core product building.

If the product gets the required hype, the company would aim to build a minimum viable product to verify their presumption on a small batch of early evangelists who would help them understand and design future learning milestones and the route to the mainstream customer. If you keep listening to the right customers carefully, you will end up executing a successful product strategy. Hence your first set of customer interactions isn't to learn whether customers love your product. It's to learn whether your assumptions about the problems customers have are correct. If those assumptions are wrong, it doesn't matter how wonderful the product is; no one will buy it.

To summarize the process, outlined as “build-measure-learn feedback loop” by Eric Ries in his book “The Lean Startup”, companies targeting to enter a new market or a resegmented market should focus on understanding the problem, defining a solution, validating qualitatively and verifying quantitatively. This approach will help entrepreneurs explore the right synergy between product development and customer development during their initial as well as mid-years of the problem-solution phase as well as the product-market phase.